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8 March 1952

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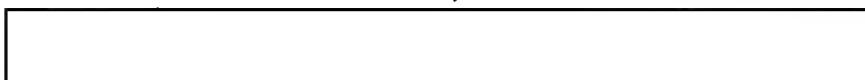


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CENTRAL INTELLIGENCE AGENCY



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3. Comment on the 1952 Soviet State Budget:

The planned surplus of 32 billion rubles in the new Soviet budget is a deflationary measure, which indicates the magnitude of existing inflationary pressures. Moreover, some funds for Soviet atomic energy development may be derived from this source.

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Conspicuously absent was any mention of a second postwar Five-Year Plan.

Similarly, no mention was made of price cuts on consumer goods, as in the years 1948-51. It may be that announcements on both of these subjects are being withheld until the World Economic Conference meets in Moscow in April.

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FAR EAST

4. Chinese airfield near Tonkin border improved:

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French pilots told the US Air Attaché that, while patrolling at a high altitude along the Tonkin-China border, they had sighted two parallel paved runways, each 6,000 feet long, at Lungchou, some 13 miles inside China. The Attaché comments that this is the first reliable information the French have provided on this field.

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Comment: The last reliable report on this installation, dated September 1951, described one clay surface runway of 1,000 feet. Extension and improvement of the field have since been reported by other sources.

This field is within combat radius of the Tonkin delta for MIG-15's without wing tanks.

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6. Egyptian Foreign Minister urges "early action" on Anglo-Egyptian dispute:

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The Egyptian Foreign Minister has strongly appealed to Ambassador Caffery in Cairo for speedy action on the Anglo-Egyptian controversy. He warned that this would probably be the last chance for the free world to reach a solution and that the USSR stands ready to exploit the situation.

The Foreign Minister also pointed out that, while the new cabinet of Prime Minister Hilali is seriously considering urgent domestic reforms, nothing can be done about them until the dispute with the British is settled.

Comment: Events of the past few months have shown that domestic issues are so colored by the Anglo-Egyptian controversy that it will be difficult for any government to solve the many pressing internal problems without first reaching some settlement with Britain.

WESTERN EUROPE

7. German regional elections will test Adenauer's policies:

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Constituent assembly elections in the new German Southwest State on 9 March will show the extent of popular opposition to Chancellor Adenauer's defense program and will indicate the trends that will shape next year's Bundestag elections.

American officials predict a considerable growth in the strength of the Social Democratic Party which is opposed to rearmament. If the Social Democrats gain a plurality, they will also gain control of the Federal Senate.

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Comment: Adenauer's Christian Democrats, the largest party in the state, are weakened by internal dissension and the competition of two other political organizations new to the area.

Although public opinion polls show that Adenauer's party has recaptured some popularity, the sharp public reaction to the government's newly announced rearmament plans will have a dampening effect on these gains.

It is believed that the West German Communist Party as well as the right extremist Socialist Reichs Party will show some increases in this election.